

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Gogebic-Ontonagon ISD	County Gogebic
Audit Date 6/30/05	Opinion Date 8/31/05	Date Accountant Report Submitted to State: 11/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

Po Box 828

City

Iron Mountain

State

MI

ZIP

49801

Accountant Signature

Date

11-1-05

GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with additional information)

For the Year Ended June 30, 2005

**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

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Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Gogebic-Ontonagon Intermediate School District
Bergland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gogebic-Ontonagon Intermediate School District ("District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gogebic-Ontonagon Intermediate School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 31, 2005

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Gogebic-Ontonagon Intermediate School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2005.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Fund Financial Statements

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, Special Education Fund, and Vocational Education Fund. The General Fund, Special Education Fund, and Vocational Education Fund are used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues.

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets:		
Current assets	\$ 1,312,325	\$ 1,160,207
Net capital assets	<u>435,038</u>	<u>442,567</u>
Total assets	<u>1,747,363</u>	<u>1,602,774</u>
Liabilities:		
Current liabilities	465,354	538,208
Long term liabilities	<u>164,939</u>	<u>178,460</u>
Total liabilities	<u>630,293</u>	<u>716,668</u>
Net Assets:		
Invested in capital assets, net of related debt	256,578	264,107
Unrestricted	<u>860,492</u>	<u>621,999</u>
Total net assets	<u>1,117,070</u>	<u>886,106</u>
Total Net Assets and Liabilities	<u>\$ 1,747,363</u>	<u>\$ 1,602,774</u>

The School District's net assets totaled \$1,117,070 at June 30, 2005, compared to \$886,106 at June 30, 2004. Total net assets can be separated into two categories: invested in capital assets, net of related debt and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$717,026 at June 30, 2005, and \$698,174 at June 30, 2004. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$281,988 at June 30, 2005, and \$255,607 at June 30, 2004. Total debt related to capital assets was \$178,460 at June 30, 2005, and \$178,460 at June 30, 2004.

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

The remaining balance in unrestricted assets represents an excess balance of \$860,492 at June 30, 2005, and \$621,999 at June 30, 2004.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2005 and June 30, 2004 is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Program revenue		
Operating grants - federal state local	<u>1,538,398</u>	<u>1,478,625</u>
Total program revenue	<u>1,538,398</u>	<u>1,478,625</u>
General revenue		
Property taxes levied for general operations	1,883,500	1,806,788
State of Michigan aid, unrestricted	1,263,890	1,139,866
Other- federal, state and local	<u>121,173</u>	<u>74,103</u>
Total general revenue	<u>3,268,563</u>	<u>3,020,757</u>
Total revenue	<u>4,806,961</u>	<u>4,499,382</u>
Expenses		
Instruction	1,171,221	1,578,973
Support services	3,359,166	2,839,873
Interest on long term debt	6,706	6,302
Depreciation (unallocated)	<u>38,904</u>	<u>42,896</u>
Total expenses	<u>4,575,997</u>	<u>4,468,044</u>
Increase in net assets	230,964	31,338
Net Assets July 1	<u>886,106</u>	<u>854,768</u>
Net Assets June 30	<u>\$ 1,117,070</u>	<u>\$ 886,106</u>

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during the fiscal year June 30, 2005, and increased during June 30, 2004 fiscal year. Several factors that contributed to the situation including increase in unrestricted aid from State of Michigan, property taxes, operating grants and other revenue totaling \$307,579. Expenditures increased by \$171,824 mainly from increases in health insurance and retirement costs.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund, Special Education Fund, and Vocational Education Fund. The fund's operating budgets were amended twice during the fiscal year.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2005 was \$1,049,242. This is below the original budget of \$1,068,302 and below the final budget of \$1,051,608. The actual expenditures of the general fund for fiscal year June 30, 2005 operations were \$1,062,220. This is below the original budget of \$1,072,500 and above the final budget of \$1,043,213.

Special Education Fund Operations

In the Special Education Fund operations, the actual revenue for fiscal year June 30, 2005 was \$2,883,173. This is above the original budget of \$2,705,055 and above the final budget of \$2,729,438. The actual expenditures of the special education fund for fiscal year June 30, 2005 operations were \$2,686,513. This is below the original budget of \$2,705,055 and below the final budget of \$2,954,358.

Vocational Education Fund Operations

In the Vocational Education Fund operations, the actual revenue for fiscal year June 30, 2005 was \$874,546. This is above the original budget of \$865,301 and above the final budget of \$840,061. The actual expenditures of the vocational education fund for fiscal year June 30, 2005 operations were \$837,667. This is above the original budget of \$836,754 and above the final budget of \$835,721.

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Variance Explanations from the Original Budget to Final Budget

General Fund:

Revenue: The main differences resulted from the elimination of the health service program and increase in federal revenue.

Expenditures: Differences were a reduction in pupil services and instructional staff, with an increase in general administration due to the retirement of superintendent not known at start of year.

Special Education:

Revenue: Differences were a revised increase in state revenues and a nearly equal reduction in federal sources and a projected increase in transfers from other districts.

Expenditures: Budget estimates increased for pupil services, support services, instructional staff, transportation and transfer to local districts. These resulted from revised expenditures estimates based on conditions changing during the year.

Vocational Education:

Revenue: A reduction in a federal grant not known at start of year was the main variance.

Expenditures: Total expenditures only changed by \$1,033 from the original budget to the final budget.

Variance Explanations from the Final Budget to Actual

General Fund:

Revenue: Had a negative variance of \$2,366 or less than .2% variance on the total revenue.

Expenditures: Variances were small and not related to a specific area and were less than 2% of the total budget.

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Special Education:

Revenue: Variance consisted of an overstatement mainly of state payment in lieu of tax money and also state aid and unspent federal grants that were budgeted for full expenditure.

Expenditure: Variance resulted for an overestimate for physical therapy (\$20,000) and for transportation (\$32,000) due to uncertainty from financially troubled transportation company. Also, grant funds that were not spent (\$34,000). Also, a variance of \$156,000 results from payments to local districts shown at an amount that will not be paid until the next fiscal year.

Vocational Education:

Revenue: Conservative budgeting resulted in the variance in revenue for year. Received more than what was budgeted.

Expenditures: Expenditures were .8% under budget.

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue <u>June 30, 2005</u>	<u>Percentage</u>	Total Revenue <u>June 30, 2004</u>	<u>Percentage</u>
State of Michigan Aid unrestricted	\$ 1,263,890	26.29%	\$ 1,139,866	25.33%
Prop taxes general operation	1,883,500	39.18%	1,806,788	40.16%
Operating grants federal state local	1,538,398	32.00%	1,478,625	32.86%
Other federal state local	<u>121,173</u>	<u>2.52%</u>	<u>74,103</u>	<u>1.65%</u>
Total Revenues	<u>\$ 4,806,961</u>	<u>100.00%</u>	<u>\$ 4,499,382</u>	<u>100.00%</u>

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	<u>Expenditures</u> <u>June 30, 2005</u>	<u>Percentage</u>	<u>Expenditures</u> <u>June 30, 2004</u>	<u>Percentage</u>
General Fund	\$ 1,062,220	23.16%	\$ 1,037,901	23.51%
Special Education	2,686,513	58.58%	2,562,269	58.04%
Vocational Education	<u>837,667</u>	<u>18.26%</u>	<u>814,406</u>	<u>18.45%</u>
Total Expenditures	<u>\$ 4,586,400</u>	<u>100.00%</u>	<u>\$ 4,414,576</u>	<u>100.00%</u>

Unrestricted State Aid

Special Education is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of a reduction in Section 81 monies.

Property Taxes

The District levies 3.3401 mills of property taxes on all Non-Homestead property located within the District for operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

Operating Grants Federal, State, and Local

The District is heavily dependent upon Grant funding. Below are some of the major grants and their funding sources:

State:	Great Parent Great Start
Federal:	Even Start, Flow Through, Early On, Transition, Carl Perkins, and Tech Prep
Local:	Reading First, and Math/Science

Gogebic-Ontonagon Intermediate School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

ENROLLMENT

Special Education is the only fund that receives State Aid based on student enrollment. The enrollment has remained steady, and is expected to continue at near current levels. The 2004/2005-student count was 37.27, which will become part of the Special Education foundation payments for the 2005/2006 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the District had \$717,026 invested in land and building, furniture and equipment, vehicles and buses compared to \$698,174 at June 30, 2004. Of this amount, \$281,988 and \$255,607 have been depreciated at June 30, 2005 and June 30, 2004 respectively. Net book value totaled \$435,038 at June 30, 2005, and \$442,567 at June 30, 2004. Due to budget constraints related to the State of Michigan financial status, and flat enrollments, the ability to maintain these buildings has become increasingly difficult. The District maintains a \$1,000 threshold for capitalization of assets.

Outstanding Debt at Year End

As of June 30, 2005 the District had \$178,460 in bonds outstanding for the Durant Settlement, compared to \$178,460 at June 30, 2004. The District collects state funding equal to the payments on a yearly basis.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Gogebic-Ontonagon Intermediate School District. For additional detailed financial information contact:

Bruce F. Mayle
Superintendent
Gogebic-Ontonagon Intermediate School District
202 Elm Street
Bergland, MI 49910
Office Telephone (906) 575-3438
Fax Telephone (906) 575-3373

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 75
Investments	774,591
Receivables:	
Taxes	2,581
Accounts	40,403
Due from other districts	74,863
Due from other governmental units	419,812
Total current assets	<u>1,312,325</u>
Noncurrent assets:	
Capital assets	717,026
Accumulated depreciation	<u>(281,988)</u>
Total noncurrent assets	<u>435,038</u>
TOTAL ASSETS	<u>1,747,363</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	206,301
Accrued expenses	174,686
Accrued interest	22,425
Deferred revenue	2,069
Bonds payable	13,521
Compensated absences	46,352
Total current liabilities	<u>465,354</u>
Noncurrent liabilities:	
Bonds payable	<u>164,939</u>
Total noncurrent liabilities	<u>164,939</u>
TOTAL LIABILITIES	<u>630,293</u>
NET ASSETS:	
Invested in capital assets, net of related debt	256,578
Unrestricted	860,492
TOTAL NET ASSETS	<u>\$ 1,117,070</u>

The accompanying notes to the financial statements are an integral part of this statement.





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
					Primary Government
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 1,171,221	\$ -	\$ -	-	\$ (1,171,221)
Support	3,359,166	-	1,538,398	-	(1,820,768)
Depreciation	38,904	-	-	-	(38,904)
Debt interest, fees and expenses	6,706	-	-	-	(6,706)
TOTAL PRIMARY GOVERNMENT	4,575,997	-	1,538,398	-	(3,037,599)
General revenues:					
Property taxes					\$ 1,883,500
State revenue sharing					1,263,890
Grants and contributions not restricted to specific programs					80,243
Unrestricted investment earnings					19,495
Other					21,435
Total general revenues and transfers					3,268,563
Changes in net assets					230,964
Net assets, beginning of year					886,106
Net assets, end of year					\$ 1,117,070

The accompanying notes to the financial statements are an integral part of this statement.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2005

	General	Special Education	Vocational Education	Total Governmental Funds
ASSETS:				
Cash and equivalents	\$ 50	\$ -	\$ 25	\$ 75
Investments	105,165	507,966	161,460	774,591
Taxes receivable	237	1,634	710	2,581
Accounts receivable	7,706	21,822	10,875	40,403
Due from other funds	84,306	-	3,222	87,528
Due from other districts	62,085	9,667	3,111	74,863
Due from other governments	129,782	208,511	81,519	419,812
TOTAL ASSETS	\$ 389,331	\$ 749,600	\$ 260,922	\$ 1,399,853
LIABILITIES:				
Accounts payable	\$ 107,439	\$ 81,959	\$ 16,903	\$ 206,301
Accrued expenses	22,770	130,890	21,026	174,686
Due to other funds	-	57,536	29,992	87,528
Deferred revenue	1,107	962	-	2,069
TOTAL LIABILITIES	131,316	271,347	67,921	470,584
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Unreserved-Designated	15,585	56,673	13,637	85,895
Unreserved-Undesignated	242,430	421,580	179,364	843,374
TOTAL FUND BALANCE AND OTHER CREDITS	258,015	478,253	193,001	929,269
TOTAL LIABILITIES, FUND BALANCE AND OTHER	\$ 389,331	\$ 749,600	\$ 260,922	\$ 1,399,853

The accompanying notes to the financial statements are an integral part of this statement.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2005

Total fund balances for governmental funds	\$ 929,269
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Total net assets reported for governmental activities in the statement
of net assets is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. Those assets
consist of:

Land and land improvements	\$ 49,383	
Buildings	427,717	
Equipment	148,944	
Vehicles	<u>90,982</u>	
 Total capital assets	 717,026	
Accumulated depreciation	<u>(281,988)</u>	
 Net capital assets		 435,038

Long-term liabilities applicable to the District's governmental
activities are not due and payable in the current period and accordingly
are not reported as fund liabilities. Interest on long-term debt is not
accrued in governmental funds, but rather is recognized as an
expenditure when due. All liabilities, both current and long-term, are
reported in the statement of net assets.

Accrued interest on long-term debt	\$ (22,425)	
 Bonds payable	 (178,460)	
Compensated absences	<u>(46,352)</u>	<u>(247,237)</u>
 Total net assets of governmental activities		 <u>\$1,117,070</u>



GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005

	General	Special Education	Vocational Education	Total Governmental Funds
REVENUES:				
Local Sources	\$ 247,063	\$ 1,208,842	\$ 563,599	\$ 2,019,504
State Sources	342,752	778,922	98,415	1,220,089
Federal Sources	318,753	843,403	212,532	1,374,688
TOTAL REVENUES	908,568	2,831,167	874,546	4,614,281
EXPENDITURES:				
Instruction:				
Current	-	874,354	306,525	1,180,879
Capital outlay	-	1,701	15,138	16,839
Supporting services:				
Current	749,743	1,575,802	516,004	2,841,549
Capital outlay	87,477	9,776	-	97,253
TOTAL EXPENDITURES	837,220	2,461,633	837,667	4,136,520
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	71,348	369,534	36,879	477,761
OTHER FINANCING SOURCES (USES):				
Payments received from other governmental units	140,674	52,006	-	192,680
Payments to other governmental units	(225,000)	(224,880)	-	(449,880)
TOTAL OTHER FINANCING SOURCES (USES)	(84,326)	(172,874)	-	(257,200)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(12,978)	196,660	36,879	220,561
FUND BALANCE, JULY 1	270,993	281,593	156,122	708,708
FUND BALANCE, JUNE 30	\$ 258,015	\$ 478,253	\$ 193,001	\$ 929,269

The accompanying notes to the financial statements are an integral part of this statement.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

Net changes in fund balances – total governmental funds	\$ 220,561
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$(38,904) exceeded capital outlay \$(37,067).	(1,837)
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Undepreciated balance of retired fixed assets	(5,692)
---	---------

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	24,638
Accrued interest	<u>(6,706)</u>
Changes in net assets of governmental activities	\$ <u>230,964</u>



**GOBEGIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Gogebic-Ontonagon Intermediate School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the Gogebic-Ontonagon Intermediate School District.

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

C. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements – Fund Financial Statements (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Gogebic-Ontonagon Intermediate School District's activity.

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.



**GOGEGIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2005, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2004.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

E. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

F. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$1,000.

I. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

J. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund Mills

General Fund - Non-Homestead	.3162
Special Education	2.1076
Vocational Education	.9163

L. Unemployment Insurance

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

M. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2005 was adopted on June 30, 2004 and formally on January 21, 2005 and June 30, 2005.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Special Revenue Funds are presented as Required Supplemental Information.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 2 - CASH AND EQUIVALENTS

Deposits

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	<u>\$75</u>
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Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Deposit Risk

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2005, the District's checking accounts were not exposed to credit risk because they were fully insured.

Investments

The District's investments, as reported in the Statement of Net Assets, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	<u>\$774,591</u>
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Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund:		Special Education:	
Special Education	\$ 54,314	Vocational Education	\$ 3,222
Vocational Education	<u>29,992</u>	General Fund	<u>54,314</u>
Total	<u>84,306</u>		<u>57,356</u>
Vocational Education:		Vocational Education:	
Special Education	<u>3,222</u>	General	<u>29,992</u>
Totals	\$ <u>87,528</u>		\$ <u>87,528</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Land and land improvements	\$ 49,383	\$ -	\$ -	\$ 49,383
Buildings	427,717	-	-	427,717
Equipment	111,877	37,067	-	148,944
Vehicles	<u>109,197</u>	<u>-</u>	<u>(18,215)</u>	<u>90,982</u>
TOTALS	\$698,174	\$ <u>37,067</u>	\$ <u>(18,215)</u>	\$717,026
Accumulated Depreciation	<u>(255,607)</u>	<u>\$(38,904)</u>	<u>\$ 12,523</u>	<u>(281,988)</u>
Net Fixed Assets	<u>\$442,567</u>			<u>\$435,038</u>

Depreciation for the year ended June 30, 2005, amounted to \$38,904. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 5 – LONG-TERM OBLIGATIONS

During the year ended June 30, 2005, the following changes occurred in long-term obligations:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>	Amounts Due Within <u>One Year</u>
Durant Bonds	\$ <u>178,460</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>178,460</u>	\$ <u>13,521</u>

NOTE 6 - BONDS AND NOTES PAYABLE

Long-term obligations at June 30, 2005 is comprised of the following amounts:

1. 1998 Durant Bonds, in the original amount of \$279,340 due in annual installments from \$19,613 to \$92,569 through May, 15, 2013, with interest at 4.76%. \$ 178,460

The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2005 are as follows:

<u>Year Ended June 30</u>	<u>Bond Issues</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 13,521	\$ 6,095	\$ 19,616
2007	14,162	5,451	19,613
2008	65,468	27,101	92,569
2009	15,546	4,070	19,616
2010	6,286	3,330	19,616
2011-2015	<u>53,477</u>	<u>5,188</u>	<u>58,665</u>
TOTALS	\$ <u>178,460</u>	\$ <u>51,235</u>	\$ <u>229,875</u>

Interest expense for the year ended June 30, 2005 was \$6,706.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 7 - FUND BALANCES

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows.

	<u>Unreserved Designated</u>
General Fund:	
Future sick leave benefits	\$ 15,585
Special Education:	
Future sick leave benefits	56,673
Vocational Education:	
Future sick leave benefits	<u>13,637</u>
TOTAL	<u>\$ 85,895</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990 made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of credited service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The District contributed 14.87% of covered compensation through June 30, 2005 to the Plan. The total amount contributed to the Plan for the year ended June 30, 2005 was \$305,513, which consisted of \$249,929 from the District and \$55,584 from employees electing the MIP option.

These represent approximately 13.74% and 3.06% of covered payroll, respectively. The payroll for employees covered by the System for the year ended June 30, 2005 was approximately \$1,818,481.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2004 for the MPSERS as a whole, the actuarial accrued liability was \$42 billion. The pension plan net assets were \$36.8 billion, resulting in a ratio of pension assets at market value to the actuarial accrued liability of 86.5%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time.

The District's 2004 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS September 30, 2004 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

The following is a summary of plan provisions:

Regular Retirement (no reduction factor for age)

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age – None.

Annual Amount – Total credited service times 1.5% of final average compensation.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Final Average Compensation – Average of highest 5 consecutive years (3 years for MIP members).

Early Retirement (age reduction factor used)

Eligibility – Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount – Regular retirement benefit, reduced by ½% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility – 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount – Regular retirement benefit based on service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility – No age or service requirement; in receipt of workers' disability compensation.

Annual Amount – Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Non-Duty Disability Retirement

Eligibility – 10 years of credited service.

Annual Amount – Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Duty Death Before Retirement

Eligibility – No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Annual Amount – Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Non-Duty Death Before Retirement

Eligibility – 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount – Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences at the time a member would have attained the minimum age qualification.

Post-Retirement Cost-of-Living Adjustments

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjustment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

Retired before January 1, 1987 – Greater of Supplemental payment or automatic 3% increase

Retired on or after January 1, 1987 under MIP – Automatic 3% increase only

Retired on or after January 1, 1987 not under MIP – Supplemental payment only

Post-Retirement Health Benefits

Members in receipt of pension benefits are eligible for fully System paid Master Health Care Plan coverage (90% System paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially System paid health benefit coverage (no System payment if less than 21 years service).



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Dependents are eligible for 90% System paid health benefit coverage (partial System payment for dependents of deferred vested members who had 21 or more years of service).

Member Contributions

MIP Participants hired before January 1, 1990 – 3.9% of pay.

MIP Participants hired on or after January 1, 1990 – 3.0% of first \$5,000 of pay, plus 3.6% of next \$10,000 of pay, plus 4.3% pay in excess of \$15,000.

Non-MIP Participants – None.

A summary of Actuarial Assumptions and Methods is as follows:

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.
2. The mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 1998.
3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 1998.
4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page of this report. Adopted 1998.
5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.
6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.
8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.
9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's Board and the Department of Management and Budget after consulting with the actuary.

Other Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 - SIGNIFICANT ESTIMATES

Included in footnote 8 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS





REQUIRED SUPPLEMENTAL INFORMATION

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 261,152	\$ 266,377	\$ 247,063
State sources	361,807	351,305	342,752
Federal sources	267,499	301,185	318,753
TOTAL REVENUES	890,458	918,867	908,568
EXPENDITURES:			
Supporting services	847,500	818,213	837,220
TOTAL EXPENDITURES	847,500	818,213	837,220
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	42,958	100,654	71,348
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	177,844	132,741	140,674
Payments to other governmental units	(225,000)	(225,000)	(225,000)
TOTAL OTHER FINANCING SOURCES (USES)	(47,156)	(92,259)	(84,326)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(4,198)	8,395	(12,978)
FUND BALANCE, JULY 1	270,993	270,993	270,993
FUND BALANCE, JUNE 30	\$ 266,795	\$ 279,388	\$ 258,015

The accompanying notes to the financial statements are an integral part of this statement.



GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) (Note 1)
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 1,195,540	\$ 1,196,429	\$ 1,208,842
State sources	562,201	670,799	778,922
Federal sources	938,814	839,210	843,403
TOTAL REVENUES	<u>2,696,555</u>	<u>2,706,438</u>	<u>2,831,167</u>
EXPENDITURES:			
Instruction	899,635	953,556	876,055
Supporting services	1,545,996	1,642,482	1,585,578
TOTAL EXPENDITURES	<u>2,445,631</u>	<u>2,596,038</u>	<u>2,461,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>250,924</u>	<u>110,400</u>	<u>369,534</u>
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	8,500	23,000	52,006
Payments to other governmental units	(259,424)	(358,320)	(224,880)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,924)</u>	<u>(335,320)</u>	<u>(172,874)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(224,920)	196,660
FUND BALANCE, JULY 1	<u>281,593</u>	<u>281,593</u>	<u>281,593</u>
FUND BALANCE, JUNE 30	<u>\$ 281,593</u>	<u>\$ 56,673</u>	<u>\$ 478,253</u>

The accompanying notes to the financial statements are an integral part of this statement.



GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
VOCATIONAL EDUCATION FUND**

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis) (Note 1)</u>
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 520,974	\$ 509,796	\$ 563,599
State sources	107,046	119,682	98,415
Federal sources	237,281	210,583	212,532
TOTAL REVENUES	865,301	840,061	874,546
EXPENDITURES:			
Instruction	300,518	325,030	321,663
Supporting services	536,236	510,691	516,004
TOTAL EXPENDITURES	836,754	835,721	837,667
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,547	4,340	36,879
FUND BALANCE, JULY 1	156,122	156,122	156,122
FUND BALANCE, JUNE 30	\$ 184,669	\$ 160,462	\$ 193,001

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes to the financial statements are an integral part of this statement.

GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT

FEDERAL SINGLE AUDIT REPORTS

For the Year Ended June 30, 2005

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Gogebic-Ontonagon Intermediate School District
Bergland, Michigan

We have audited the financial statements of Gogebic-Ontonagon Intermediate School District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic-Ontonagon Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Gogebic-Ontonagon Intermediate School District, in a separate letter dated August 31, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic-Ontonagon Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Gogebic-Ontonagon Intermediate School District, in a separate letter dated August 31, 2005.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co., PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 31, 2005

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Education
Gogebic-Ontonagon Intermediate School District
Bergland, Michigan

Compliance

We have audited the compliance of Gogebic-Ontonagon Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Gogebic-Ontonagon Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Gogebic-Ontonagon Intermediate School District's management. Our responsibility is to express an opinion on Gogebic-Ontonagon Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic-Ontonagon Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic-Ontonagon Intermediate School District's compliance with those requirements.

In our opinion, Gogebic-Ontonagon Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Gogebic-Ontonagon Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic-Ontonagon Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 31, 2005

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2004 Accrued Receivable	Deferred Revenue
<u>GENERAL FUND</u>				
Flow Through - Michigan Department of Education				
U.S. Department of Education				
Even Start	84.213			
Source Project #040390A0414IES		225,000	19,740	-
Source Project #040390B0539CES		225,000	-	-
		<u>450,000</u>	<u>19,740</u>	<u>-</u>
Title V	84.298			
Source Project #0402500304		1,295	1,295	-
Source Project #0502500405		1,079	-	-
		<u>2,374</u>	<u>1,295</u>	<u>-</u>
Title II	84.367			
Source Project #0405200304		204	204	-
Source Project #0505200405		204	-	-
		<u>408</u>	<u>204</u>	<u>-</u>
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		<u>452,782</u>	<u>21,239</u>	<u>-</u>
Flow Through Department of Education				
Small Rural School Achievement	84.358A			
Source Project #S358A022654		18,235	13,435	-
Source Project #S358A032654		18,408	-	-
		<u>36,643</u>	<u>13,435</u>	<u>-</u>
Flow Through Local Districts				
Eisenhower	84.281			
Source Project #Unknown		27,591	-	6,957
Source Project #Unknown		24,040	-	-
		<u>51,631</u>	<u>-</u>	<u>6,957</u>
Flow Through Dickinson-Iron ISD				
Teaching American History	84.215X			
Source Project #U215X040066		24,862	-	-
		<u>24,862</u>	<u>-</u>	<u>-</u>
Flow Through Department of Human Services				
FIA Grant	93.556			
Source Project #SFSC 01-66001		18,673	-	-
		<u>18,673</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND		<u>\$ 584,591</u>	<u>\$ 34,674</u>	<u>\$ 6,957</u>

The accompanying notes to the financial statements are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
225,000	-	19,740	-
-	225,000	158,875	66,125
<u>225,000</u>	<u>225,000</u>	<u>178,615</u>	<u>66,125</u>
1,295	-	1,295	-
-	1,079	-	1,079
<u>1,295</u>	<u>1,079</u>	<u>1,295</u>	<u>1,079</u>
204	-	204	-
-	204	197	7
<u>204</u>	<u>204</u>	<u>401</u>	<u>7</u>
<u>226,499</u>	<u>226,283</u>	<u>180,311</u>	<u>67,211</u>
17,598	637	14,072	-
-	18,408	12,535	5,873
<u>17,598</u>	<u>19,045</u>	<u>26,607</u>	<u>5,873</u>
20,634	6,957	-	-
-	22,933	24,040	(1,107)
<u>20,634</u>	<u>29,890</u>	<u>24,040</u>	<u>(1,107)</u>
-	24,862	24,862	-
-	18,673	16,889	1,784
<u>\$ 264,731</u>	<u>\$ 318,753</u>	<u>\$ 272,709</u>	<u>\$ 73,761</u>

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2004	
			Accrued Receivable	Deferred Revenue
<u>SPECIAL EDUCATION FUND</u>				
Flow Through - Michigan <u>Department of Education</u>				
<u>U.S. Department of Education</u>				
<u>94-142 Flow Through</u>	84.027			
Source Project #0404500304		\$ 580,123	\$ 33,833	\$ -
Source Project #0504500405		655,710	-	-
		<u>1,235,833</u>	<u>33,833</u>	<u>-</u>
<u>94-142 Pre-School</u>	84.173			
Source Project #0404600304		23,377	457	-
Source Project #0504600405		23,151	-	-
		<u>46,528</u>	<u>457</u>	<u>-</u>
<u>Infant & Toddler</u>	84.181			
Source Project #031340190C		24,135	2,928	-
Source Project #041340190		74,464	27,380	-
Source Project #051340190		75,595	-	-
		<u>174,194</u>	<u>30,308</u>	<u>-</u>
<u>Special Education State Initiated</u>	84.027			
Source Project #040480EOSD		35,000	2,100	-
Source Project #040490CB		11,109	4,744	-
Source Project #040490TS		60,000	17,449	-
Source Project #050480EOSD		35,000	-	-
Source Project #050490TS		60,000	-	-
Source Project #050490CB		8,683	-	-
		<u>209,792</u>	<u>24,293</u>	<u>-</u>
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		<u>1,666,347</u>	<u>88,891</u>	<u>-</u>
<u>Flow Through Grand Valley State</u>				
<u>Flowthrough - Autism</u>	84.027A			
Source Project #Unknown		<u>2,000</u>	<u>-</u>	<u>-</u>
<u>Flow Through MAISD</u>				
<u>UP Cares Grant</u>	84.027A			
Source Project #0404903D51		10,923	10,923	-
Source Project #0504901D20		7,870	-	-
		<u>18,793</u>	<u>10,923</u>	<u>-</u>
TOTAL SPECIAL EDUCATION FUND		<u>\$ 1,687,140</u>	<u>\$ 99,814</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
\$ 525,939	\$ 54,184	\$ 66,367	\$ 21,650
-	569,018	545,292	23,726
<u>525,939</u>	<u>623,202</u>	<u>611,659</u>	<u>45,376</u>
23,377	-	457	-
-	23,151	23,151	-
<u>23,377</u>	<u>23,151</u>	<u>23,608</u>	<u>-</u>
24,135	-	2,928	-
41,821	32,643	60,023	-
-	53,041	40,000	13,041
<u>65,956</u>	<u>85,684</u>	<u>102,951</u>	<u>13,041</u>
35,000	-	2,100	-
11,109	-	4,744	-
60,000	-	17,449	-
-	35,000	35,000	-
-	60,000	47,257	12,743
-	8,683	1,816	6,867
<u>106,109</u>	<u>103,683</u>	<u>108,366</u>	<u>19,610</u>
<u>721,381</u>	<u>835,720</u>	<u>846,584</u>	<u>78,027</u>
-	1,038	2,000	(962)
10,923	-	10,923	-
-	6,645	6,316	329
<u>10,923</u>	<u>6,645</u>	<u>17,239</u>	<u>329</u>
<u>\$ 732,304</u>	<u>\$ 843,403</u>	<u>\$ 865,823</u>	<u>\$ 77,394</u>

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2005

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2004	
			Accrued Receivable	Deferred Revenue
<u>VOCATIONAL EDUCATION FUND</u>				
Flow Through - Michigan				
<u>Department of Education</u>				
U.S. Department of Education				
<u>Regional Allocation</u>	84.048			
Source Project #043520401201		145,873	45,891	-
Source Project #053520501201		144,968	-	-
		<u>290,841</u>	<u>45,891</u>	<u>-</u>
Vocational Education Tech-Prep				
<u>Education</u>	84.243			
Source Project #043540401401		73,514	23,837	-
Source Project #053540501401		64,515	-	-
		<u>138,029</u>	<u>23,837</u>	<u>-</u>
TOTAL MICHIGAN DEPARTMENT OF EDUCATION		<u>428,870</u>	<u>69,728</u>	-
Flow Through UP Ent. Development Agency				
<u>UP Entrepreneur Grant</u>	17.267			
Source Project #650W0201		<u>9,010</u>	-	-
TOTAL VOCATIONAL EDUCATION FUND		<u>437,880</u>	<u>69,728</u>	-
TOTAL ALL FUNDS FEDERAL FINANCIAL AWARDS		<u>\$ 2,709,611</u>	<u>\$ 204,216</u>	<u>\$ 6,957</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes to the financial statements are an integral part of this statement.



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2005 Accrued / (Deferred) Revenue</u>
145,873	-	45,891	-
-	144,968	86,491	58,477
<u>145,873</u>	<u>144,968</u>	<u>132,382</u>	<u>58,477</u>
73,514	-	23,837	-
-	64,515	60,117	4,398
<u>73,514</u>	<u>64,515</u>	<u>83,954</u>	<u>4,398</u>
<u>219,387</u>	<u>209,483</u>	<u>216,336</u>	<u>62,875</u>
-	3,049	-	3,049
<u>219,387</u>	<u>212,532</u>	<u>216,336</u>	<u>65,924</u>
<u>\$ 1,216,422</u>	<u>\$ 1,374,688</u>	<u>\$ 1,354,868</u>	<u>\$ 217,079</u>

GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT

NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of Gogebic-Ontonagon Intermediate School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

NOTE 3 - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

NOTE 4 - GRANTS SECTION AUDITORS' REPORT

Management has utilized the Grants Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.



**GOGEBIC-ONTONAGON INTERMEDIATE
SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of Gogebic-Ontonagon Intermediate School District.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of Gogebic-Ontonagon Intermediate School District.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Gogebic-Ontonagon Intermediate School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic-Ontonagon Intermediate School District.
7. The programs tested as major programs included: CFDA No. 84.027 94-142 Flow Through and CFDA No. 84.173 94-142 Pre-School.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gogebic-Ontonagon Intermediate School District was determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.

C. SUMMARY OF PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no prior findings or questioned costs.





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

August 31, 2005

Board of Education
Gogebic-Ontonagon Intermediate School District
Bergland, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Gogebic-Ontonagon Intermediate School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 31, 2005 on the financial statements of the Gogebic-Ontonagon Intermediate School District.

LETTER OF COMMENTS AND
RECOMMENDATIONS FOR
THE YEAR ENDED JUNE 30, 2005

We noted that our letter of comments and recommendations for the year ended June 30, 2004 was not shared with the Board of Education. In addition, it was clear that our recommendations made were not implemented.

Recommendation

We recommend that our previous letter of comments and recommendations be reviewed in conjunction with the following current year comments and recommendations. The June 30, 2004 letter is enclosed.

PURCHASING AND CASH PAYMENTS

During our examination of purchases and cash disbursements we again noted that:

1. Expense vouchers and other payments included payment documentation but were not separately signed off as approved by a designated responsible employee in a position to do so.
2. In one case an employee/director approved his/her own travel/expenses.
3. One payment voucher did not include the designed account number that is important to the accounting process.

Recommendation

We recommend that the District review all policies and procedures over purchasing and cash disbursements. Those procedures would include, but not be limited to, the following:

1. All payments would be approved, in advance, by the Board for all amounts over a specified amount.
2. Any payments not specifically approved by the Board should be approved in advance by the Superintendent except for those delegated to department heads.
3. Department heads granted the authority to pre-approve payments should be required to sign off completely and accurately on the purchase/expense vouchers.
4. Any payments permitted to be approved after-the-fact should be so approved, by initiating the supporting documentation by a department head or superintendent.
5. No individual should be permitted to approve his/her own expense voucher.

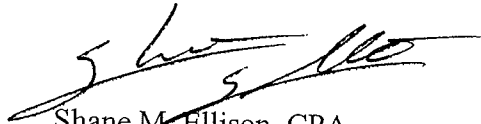
August 31, 2005
Gogebic-Ontonagon Intermediate School District
Page Three

6. All payment vouchers should clearly indicate the account number to which it should be charged. This should not be solely the responsibility of the business office.

We appreciate the opportunity to be of service to the District. As in the past, it is a pleasure to work with District personnel. If you have any questions, please do not hesitate to contact us.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

A handwritten signature in black ink, appearing to read 'Shane M. Ellison', written over a horizontal line.

Shane M. Ellison, CPA
Principal